



2023 Budget/2022 Tax Levy FAQ

What is the purpose of the Budget?

The budget is approved annually by the Village Board and serves as a forecast of revenues it will receive and expenditures it will incur during the year. Guided by the policies, priorities and goals of the Village Board (including the Village's [Strategic Plan](#), financial policies and source documents), the budget is the single most important policy document produced by the Village each year. The budget is both a spending plan for the Village's financial resources and the legal authority for Village departments to spend the resources for public purposes. Through these resources, Village services are provided to meet the needs of the community.

Excellent Village core services include:

- Safety provided by Police and Fire Departments;
- Road, sewer, and water maintenance from Public Works;
- Building and code enforcement from Community Development; and
- Responsible long-term financial planning from the Finance Department

The Village is committed to providing excellent and responsive governmental services, addressing future needs and issues related to public safety, maintaining a proactive stance in monitoring financial resources, as well as financially prudent planning for capital improvements.

How was the Village's 2023 Budget created?

The 2023 Budget planning process began in January 2022 and included extensive work by staff and committees before being considered by the Village Board. The process included a Public Works and Environmental Concerns Committee meeting to review the 2023-2032 Capital Improvement Program, five meetings with the Finance and Administration Committee to discuss the Fiscal Year 2023 budget and provide recommendation to the Board of Trustees, and a Village Board of Trustees budget workshop to review the 2023 proposed budget.

What is the Village's 2023 Budget?

The 2023 budget projects Village revenues in all funds to total \$105,998,069 with overall expenditures to total \$105,858,523. The overall proposed 2023 Budget provides funding for day-to-day operations and maintenance, grants, insurance, pensions, legal obligations, fleet, water and sewer operations, facilities and infrastructure (capital improvement program budget). The portion of the Village of Lombard's budget for day-to-day operating and maintenance costs is called the General Fund Budget.

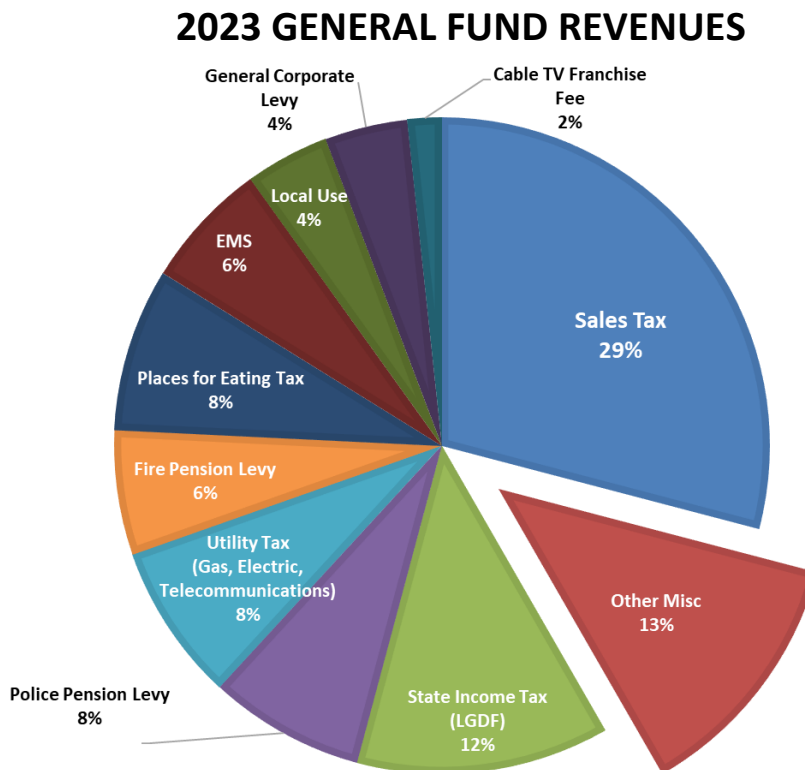
Both the Proposed 2023 Budget and 2023-2032 Capital Improvement Plan are available at www.villageoflombard.org/budget.

2023 General Fund Budget

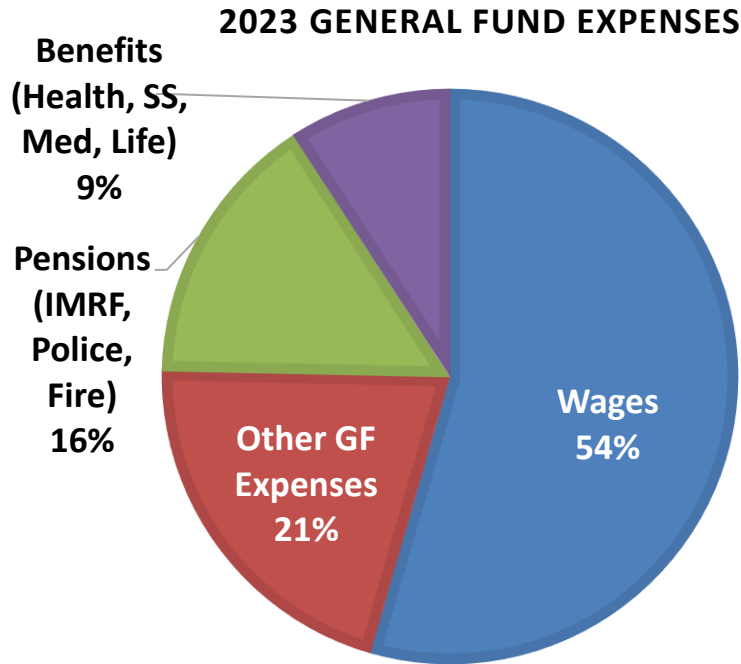
The General Fund dollars are used to support core services that include public safety provided by Police and Fire Departments; building and code enforcement from Community Development; responsible administrative oversight; and roads, forestry and infrastructure maintenance from Public Works.

- Revenues of \$42,204,960 are projected to increase \$3,276,550 (8.42%) compared to the 2022 approved budget of \$38,928,410. The 2023 revenue growth is skewed in comparison to the 2022 Amended Budget which was impacted by the pandemic.
- Expenses of \$39,793,940 are projected to increase \$1,158,080 (3.14%) compared to the 2022 approved budget of \$38,032,617.
- The projected revenues over expenses for 2023 is \$2,411,020. This is the second time since 2009 that the Village has a positive projection, with 2022 being the first.
- The Village has saved over \$10 million since 2017 related to reductions in staffing and enhanced service levels and programs.
- The charts on the following pages provide an overview of both the 2023 General Fund Expenses and Projected Revenues.

Top 10 General Fund 2023 Revenues & Expenses



The Top 10 General Fund revenues account for 87.38% of all General Fund revenue sources.



Combined wages and benefits (pensions, health insurance, Social Security/Medicare and life insurance) make up 79% of all General Fund operating expenses.

What are the major budget concerns for the future?

The Village remains cautiously pessimistic about the future due to inflation, retail trends, the potential exit of large sales tax producers, and large state mandated pension obligations.

- Sales Tax, which is 29% of the revenue for the General Fund, has not kept pace with inflation. The dollar had an average inflation rate of 2.53% per year between 1999 and today, producing a cumulative price increase of 77.77%. A dollar today only buys 56.25% of what it could buy in 1999. The current inflation rate compared to last year is now 8.26%.
- In 1999, Sales Tax revenue totaled \$10,904,272 which is equivalent in purchasing power to about \$19,384,929 today, an increase of \$8,480,657 over 23 years. The FY 2023 Sales Tax is projected to be \$12,274,460 an increase of \$1,647,300 (15.50%).
- Finally, investments for the pension funds had done well for the past few years. However, a decrease in investment earnings will very likely cause a spike in the actuarial required funding for Pensions and/or Liabilities, which will reduce funding available for the Corporate property tax levy. Total Pension Liabilities as of 12/31/21 were \$40.3 million. Based on market returns in 2022, the net pension liabilities have likely grown by \$35-\$40 million.

What is the Village going to do with the additional \$3,014,479.12 of Federal Stimulus funds received in 2022?

The Village received \$3,011,368.16 on 8/17/2021 in American Rescue Plan Act (ARPA) funding and received an additional \$3,014,479.12 on 9/16/2022. The Village Board held a Budget Workshop on September 26, 2022. The Board provided direction to staff to report the additional ARPA funds allocated to the Village of Lombard as lost revenue and to submit eligible expenses related to public safety salaries, same as the Board’s direction with the first allocation. This approach meets the U.S. Treasury Department reporting requirements.

How does the Village plan to allocate 2022 anticipated savings?

Staff presented various options to the Board for the allocation of a projected \$7.6 million of funds available from the following:

- Savings from public safety salaries - \$3,014,479.12
- Anticipated YE 2022 Revenues over Expenses - \$4,585,582

The consensus of the Village Board is to continue with the [Long-Range Plan Waterfall policy](#) that was established in 2016 to prioritize the long-term priorities for the Village. This allocates approximately \$100,000 to top off the Emergency Reserve Fund and Revenue Stabilization Funds; Allocate \$700,000 to both the Building Fund and Pension Stabilization Fund; \$3.6 million to refill the Economic Development Reserve Fund; Split the remaining \$2.5 million between the Building Reserve Fund and Pension Funds (\$780,000 each to Police & Fire; \$390,000 to IMRF).

- Building Reserve Fund is projected to have a fund balance of \$8.4 million at FYE 2023.
- Total projected cumulative transfers to the Pension Funds (including LRP distributions) expected to total \$7.8 million.

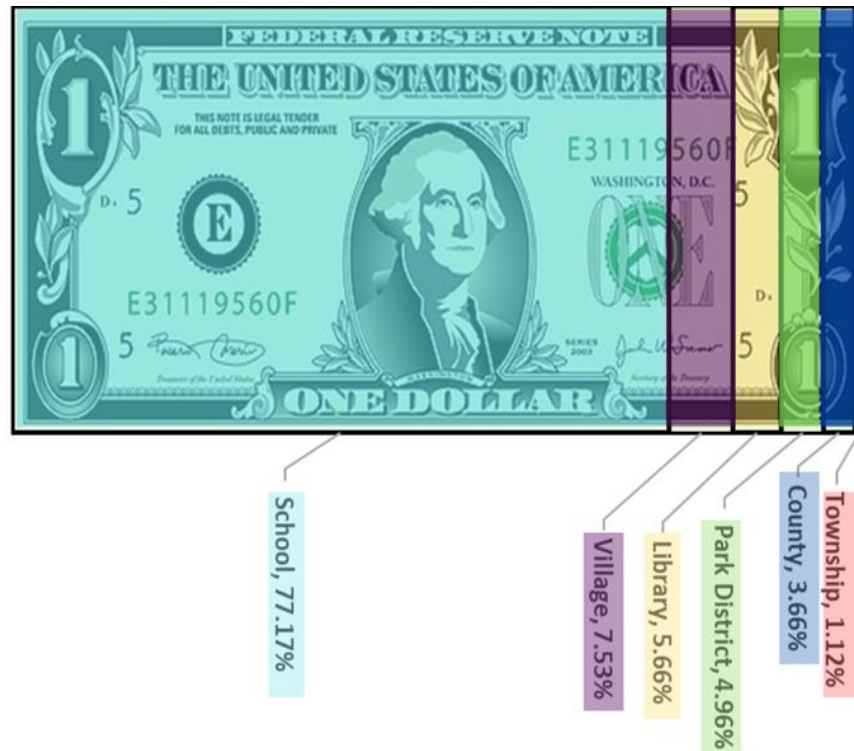
Are My Property Taxes Going to Increase?

The Village is able to raise property taxes by up to 5% each year or Consumer Price Index (whichever is lesser), plus new growth, without a referendum. The annual increase funds public services from police, fire, community development, public works, finance and governance.

The CPI from December 2020 to December 2021 was 7.0%. Therefore, this year, the Village will use 5%, as this percentage is less than the CPI. A portion of the Firefighters’ Pension is not subject to the tax cap. This portion decreases the 2022 statutorily permissible property tax levy by 0.12%, bringing the total permissible increase to 4.88% for all existing properties.

It is estimated that new growth will account for an additional 2.38% of the increase in the levy. If there is no new growth, there will be no levy for this. The Village will be opting for the statutorily permissible tax levy of a 7.26% increase (4.88% + 2.38%), which translates to an increase of approximately \$27.41 for the owner of a \$300,000 home.

It is a common misconception that the majority of property taxes go to the Village. The Village of Lombard receives approximately 7.53% percent of property tax dollars, or 7.53 cents of each property tax dollar paid.



Why is the Village taking the Statutorily Permissible Tax Levy?

Lombard’s 2022 Statutorily Permissible Increase is 7.26%. Of the local taxing districts, Lombard’s share of the total tax bill is approximately 7.5%. The impact of taking the statutorily permissible tax levy increase for the owner of a \$300,000 house is an increase of \$27.41 per year.

The York Township Assessor’s Office determines the tax valuations for most Lombard residential properties (not the Village of Lombard). Tax bills are based on two factors including:

1. The equalized assessed value (EAV) of your property, and;
2. The amount of money your local taxing districts require to operate during the coming year.

As a Non-Home Rule municipality*, if Lombard does not take the statutorily permissible increase in a given year, that piece of the increase that is left on the table is forfeited in all future years going forward as well and cannot be reclaimed.

**A non-home rule municipality can only exercise powers for which express authority has been given to it by state law. This means that non-home rule communities, such as Lombard, are dependent on authority given to it from the General Assembly and Governor.*

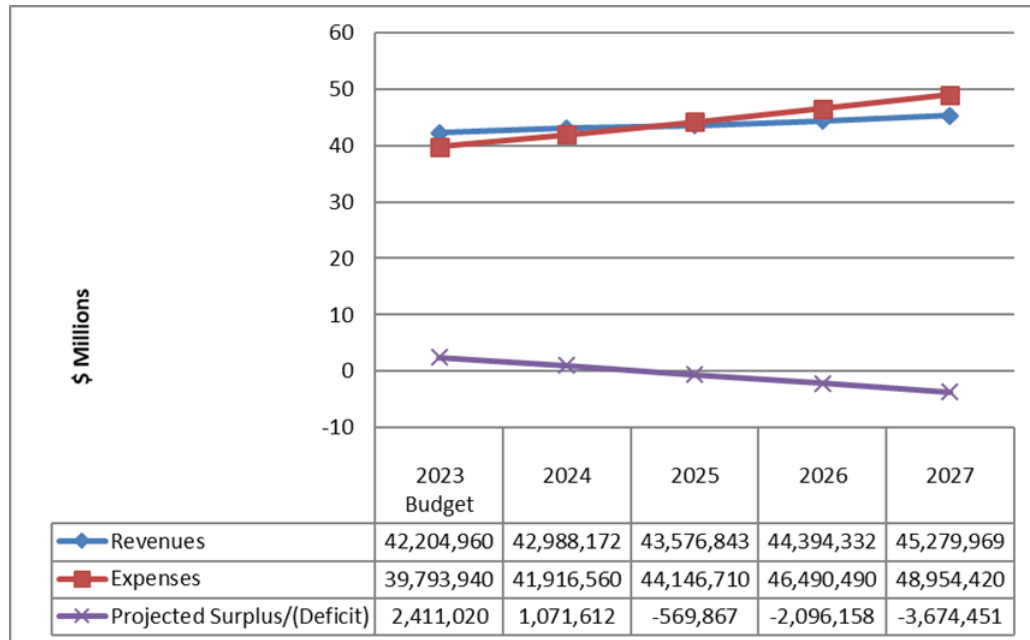
The following historical example shows the lost revenue the Village of Lombard has experienced from not taking the increase in 2013. Note that not taking a \$251,073 tax increase in 2013, has cost the Village approximately \$2.7 million due to compounding over a ten-year period, and will continue to impact the Village throughout its years.

Compounding of Statutorily Permissible \$251,073 Tax Levy Not Taken for 2013 Levy Year (2014 Fiscal Year)		
	Amount	Actual CPI
2013	(\$251,073)	1.5%
2014	(\$254,839)	0.8%
2015	(\$256,878)	0.7%
2016	(\$258,676)	2.1%
2017	(\$264,043)	2.1%
2018	(\$269,611)	1.9%
2019	(\$274,761)	2.3%
2020	(\$281,040)	1.4%
2021	(\$284,868)	7.0%
2022	(\$304,912)	
Ten Year Impact	(\$2,700,701)	

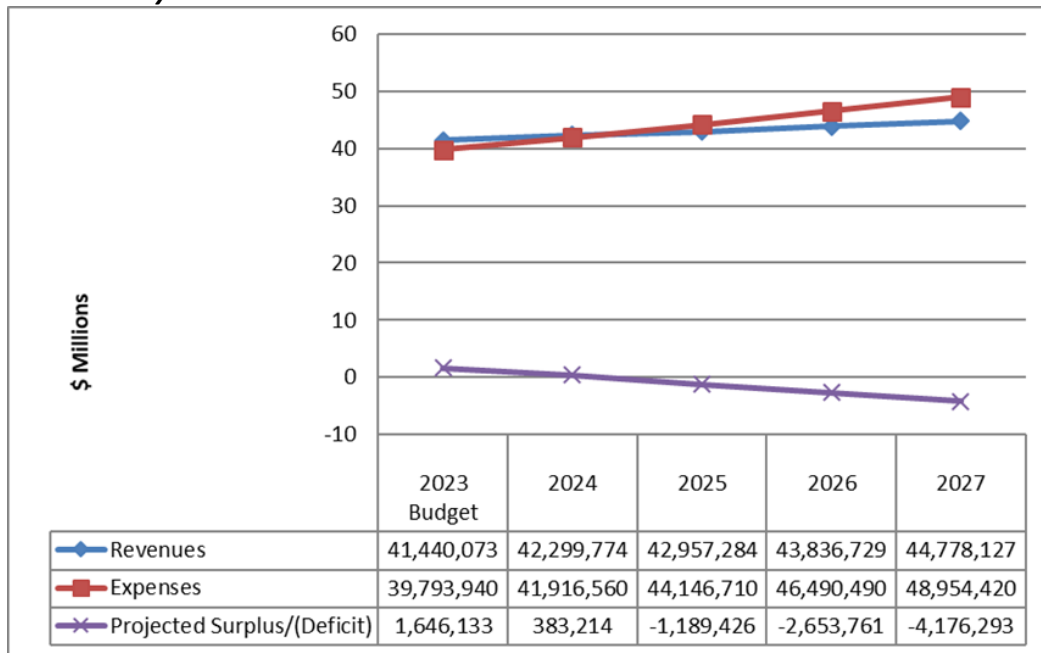
Any actual revenue over expenditures will be allocated using the Long Range Plan Waterfall Policy to fund the priorities of the Village Board, mainly the funding for future building needs and paying down net pension liabilities.

What does the Village’s financial forecast look like in both instances? With the levy? Without the levy?

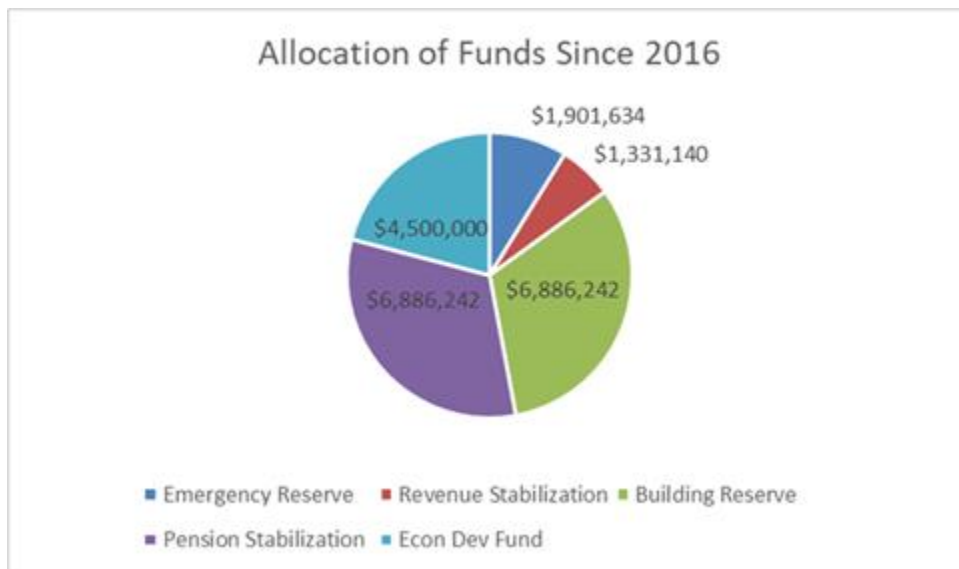
With Levy:



Without Levy:



Since the Long-Range Plan Waterfall Policy was established in 2016, where have funds been allocated by the Village using this policy?



What is the Water Rate Increase for 2023?

Effective January 1, 2023, the Water and Sewer Rate will increase \$0.40 per 1,000 gallons of water used. At that time, the cost of 1,000 gallons of water used will be \$16.50. Overall, for the average residential customer that uses 5,000 gallons/month (73% of Lombard water customers), the increase will cost an extra \$2 per month.

You said that increases are required due to unfunded State mandates. What are those mandates?

According to the Illinois Municipal League (IML), "Members of the General Assembly consider dozens of proposals each year that would impose new unfunded state mandates on cities, villages and towns in Illinois. These mandates are passed and enacted as a matter of routine. This report compiles a list of mandates that affect municipal governments."

To view the full report on unfunded state mandates that the Illinois Municipal League compiled, visit [2021 report of unfunded State mandates](#).

Where can I find more information or provide my feedback?

If you would like more information, please contact finance@villageoflombard.org, or call (630) 620-5914.